

Message Text

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ACTION EB-04

INFO OCT-01 SS-04 ISO-00 NSC-04 NSCE-00 TRSE-00 FRB-03

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R 101549Z APR 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9491

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 04534

LIMDIS GREENBACK

DEPARTMENT PASS TREASURY FOR F.L. WIDMAN AND S.Y.CROSS
AND FRB

E.O. 11652: XGDS-1

TAGS: EFIN, UK

SUBJECT: PROSPECTIVE CHANGES IN U.K. TREASURY HIERARCHY

1. THE FINANCIAL TIMES REPORTS THAT THE HEAD OF THE CIVIL SERVICE DEPARTMENT AND THE U.K.'S MOST INFLUENTIAL CIVIL SERVANT UNDER HEATH GOVERNMENT, SIR WILLIAM ARMSTRONG, 59, IS EXPECTED TO RETIRE SHORTLY AND PROBABLY TO BECOME CHAIRMAN OF THE MIDLAND BANK. (ONE OF THOSE ARMSTRONG REPORTEDLY WILL HAVE BEAT OUT FOR THE MIDLAND JOB, IF HE GETS IT, IS FORMER CHANCELLOR BARBER.)

2. SIR DOUGLAS ALLEN, 56, PRESENT PERMANENT SECRETARY OF H.M. TREASURY, IS REPORTEDLY TAPPED TO REPLACE ARMSTRONG AS HEAD OF THE CIVIL SERVICE DEPARTMENT. DOUGLAS WASS, 51, CURRENTLY SECOND PERMANENT SECRETARY IN CHARGE OF THE NATIONAL ECONOMY IN THE TREASURY, IS SLATED TO BE MOVED UP TO REPLACE SIR DOUGLAS ALLEN AS PERMANENT SECRETARY OF H.M. TREASURY.

3. COMMENT: TREASURY SOURCES HERE INDICATE THAT PRESS REPORTS ARE NOT OFFICIAL. IN THE SAME BREATH, THEY POINT OUT THE REPORTS HAVE NOT BEEN DENIED NOR TERMED UNTRUE.

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THERE IS SOME QUESTION OF THE TIMING OF FORTHCOMING SHIFT.

SIR WILLIAM ARMSTRONG AS HEAD OF THE CIVIL SERVICE HAD BEEN ON OCCASION CALLED THE DEPUTY PRIME MINISTER BECAUSE OF HIS INFLUENCE AND ROLE AS ADVISOR TO FORMER PRIME MINISTER HEATH. THERE HAD BEEN SOME TRADE UNION AND LABOUR PARTY CRITICISM OF A CIVIL SERVANT HAVING SO MUCH INFLUENCE.

4. SIR DOUGLAS ALLEN RECENTLY REMARKED TO U.S. TREASURY REPRESENTATIVE THAT HE EXPECTED TO REMAIN IN HARNESS FOR "ABOUT ANOTHER FIVE YEARS." TAKING INTO ACCOUNT BURDENS HE HAS CARRIED AT THE TREASURY IN RECENT YEARS, ALLEN IS PROBABLY LOOKING FORWARD TO THE SHIFT. WHAT HE CAN MAKE OF THE JOB WILL IN LARGE PART DEPEND ON RELATIONSHIP HE CAN DEVELOP WITH PRIME MINISTER WILSON. FACT THAT HE IS BEING NAMED TO JOB AUGURS WELL ON THIS POINT.

5. DOUGLAS WASS HAS MOVED UP VERY RAPIDLY IN H.M. TREASURY WITHIN THE PAST 18 MONTHS. IT WAS ONLY LAST YEAR THAT A NEW SECOND PERMANENT SECRETARY SLOT WAS CREATED FOR HIM, PUTTING HIM ON A PAR WITH SECOND PERMANENT SECRETARY POSITIONS IN PUBLIC SECTOR (SIR DOUGLAS HENLEY); CHIEF ECONOMIC ADVISOR (SIR KENNETH BERRILL -- FORMERLY SIR DONALD MACDOUGALL); AND OVERSEAS FINANCE (DEREK MITCHELL). THE TWO FRONT RUNNERS FOR DOUGLAS ALLEN'S JOB HAD BEEN WASS AND DEREK MITCHELL, 52. WASS APPEARS TO HAVE WON. HE IS A MATHEMATICIAN BY TRAINING, IN CHARGE OF DOMESTIC TREASURY FORECASTING OF U.K. ECONOMY, REPORTEDLY FAMILIAR WITH SOPHISTICATED MACROECONOMIC COMPUTER FORECASTING TECHNIQUES. ASSUMING XGDS-1

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 04534

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THAT HE DOES REPLACE SIR DOUGLAS ALLEN, HE WOULD PROBABLY EXPECT TO REPLACE ALLEN AS CHAIRMAN OF OECD'S ECONOMIC POLICY COMMITTEE. WASS GENERALLY A GOOD FRIEND OF U.S. HE SPENT SOME YEARS IN WASHINGTON: AT BROOKINGS IN 1959 AND AS ALTERNATE U.K. EXECUTIVE DIRECTOR, IMF, 1965-1967. WASS RECENTLY SERVED AS CHAIRMAN OF A U.S. EMBASSY LONDON LECTURE ON U.S. ECONOMY GIVEN BY TREASURY ASSISTANT SECRETARY FIEDLER. HE HAS BEEN ACCESSABLE, HELPFUL AND FRIENDLY IN HIS DEALINGS WITH US. WASS IS VERY MUCH A TREASURY MAN, HAVING JOINED H.M. TREASURY IN 1946 AND SPENT HIS WORKING CAREER WITH H.M. TREASURY. HE IS A QUIET MAN, SOFT SPOKEN, HIGHLY ABLE AND ARTICULATE. HIS WIFE IS A CHARMING BIOCHEMIST OF YUGOSLAVIAN BIRTH.

6. FOR THE MOMENT, IT LOOKS AS THOUGH DEREK MITCHELL'S FURTHER PROGRESS IN H.M. TREASURY IS BLOCKED. THIS MUCH SAID, MITCHELL'S IMMEDIATE PREDECESSOR, SIR ALLEN NEALE, WENT FROM THE POST OF SECOND PERMANENT SECRETARY, OVERSEAS FINANCE, TO PERMANENT SECRETARY IN MINISTRY OF AGRICULTURE. PROMOTION POSSIBILITIES IN OTHER MINISTRIES SHOULD EXIST FOR MITCHELL BUT WE HAVE HEARD NO SPECULATION HE MIGHT BE SHIFTED. INDEED, MITCHELL REPORTEDLY HAS VERY GOOD WORKING RELATIONS WITH NEW LABOUR GOVERNMENT. HE SERVED AS HAROLD WILSON'S PRINCIPAL PRIVATE SECRETARY IN 1964-66.

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7. ONE COMMENT WE HAVE HEARD IS THAT TONY RAWLINSON WILL PROBABLY REMAIN IN WASHINGTON FOR AT LEAST ANOTHER YEAR, IN PART BECAUSE THERE IS NO SUITABLE PLACE TO PUT HIM IN H.M. TREASURY SHOULD HE RETURN. WITH WINDING DOWN OF C-20 ACTIVITIES, THERE MAY BE SOME REORGANIZATION WITHIN H.M. TREASURY IN ITS OVERSEAS FINANCE -- INTERNATIONAL MONETARY SECTIONS DURING COMING MONTHS.

8. NO IMMEDIATE CHANGES SEEN IN U.K. TREASURY VIEWS AS RESULT OF FORTHCOMING SHIFTS. DEREK MITCHELL STILL EXPECTED TO VERY LARGELY DETERMINE U.K. INTERNATIONAL MONETARY POLICY, AFTER OBTAINING CONCURRENCE OF GENERAL LINES TO BE FOLLOWED FROM PAYMASTER GENERAL EDMUND DELL, AND CHANCELLOR HEALEY.

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